

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer

Office of Integrity and Oversight



**MEMORANDUM**

**TO:** Stephen Cordi, Deputy CFO  
Office of Tax and Revenue

**FROM:** Robert G. Andary *RG Andary*  
Office of Integrity and Oversight

**DATE:** June 5, 2008

**SUBJECT:** Management Alert: OTR's Use of Dummy Accounts Increases the Risk of  
Impropriety in the Integrated Tax System (IA:OTR:2808-M07)

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Pursuant to our oversight function, the OCFO Office of Integrity and Oversight has assigned a team of auditors to the Office of Tax and Revenue to perform audits and reviews of selected agency operations including the Integrated Tax System (ITS). In the course of one such review, certain matters have come to our attention that warrant immediate management action.

During informal discussions with staff within the Office of Tax and Revenue, an OIO auditor was made aware of the creation and use of numerous "dummy" accounts to post returns and payments to ITS that could not be posted correctly to taxpayers accounts, due to a lack of identifying information or client profiles. These accounts date back to as early as 2001.

**Examples of Dummy Accounts**

In our research of ITS, we noted numerous naming and numbering conventions for these dummy accounts. Dummy accounts include, but are not limited to, the following:

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Client List: "DUMMY"

Type	ID	Name	Street
EIN	11-2233445/D	DUMMY ACCOUNT	941 N CAPITOL ST NE
EIN	22-3344556/D	DUMMY ACCOUNT#2	941 N CAPITOL ST NE
EIN	33-4455667/D	DUMMY ACCOUNT#3	941 N CAPITOL ST NE
SSN	999-11-0000/D	DUMMY ACCOUNT#4	941 N CAPITOL ST NE

Close Detail...

At least two accounts using the name RPA Administration have been created and are used to post returns and payments.

Client List: "RPA AD"

Type	ID	Name	Street
SSN	666-66-6666/D	RPA ADMINISTRATION	2515 17TH ST NW APT B1
EIN	76-6666666/D	RPA ADMINISTRATION	941 N CAPITOL ST NE FL 6

Close Detail...

Additionally, we found numerous accounts with generic Social Security Numbers. There are 19 profiles for SSN 123-45-6789 and 58 profiles for 999-99-9999 with different names and addresses. The majority of the accounts only has a name and address with no return information.

OTR employees have placed "Notes" on the tax system to explain the rationale for creating the dummy accounts (see Exhibit A). Based on the notes provided, it appears that the original intent was to post returns with blank identification information, information returns and zero returns, as well as payments for research purposes. However, we found returns of all types have been posted as well as converted remittances. Overall, there does not appear to be adequate follow-up of the dummy accounts to post payments to the correct account.

For example, OIO researched two credits posted to Dummy Account 11-233445. The scanned images associated with the credits posted provided adequate information to perform research and post the payment to the taxpayer's account or contact the taxpayer by mail to determine how the payment should be posted. As a result of not posting the payments properly, the taxpayers have received incorrect bills (Exhibits B and C).

We also found instances, in dummy account 76-6666666, where a refund request was generated twice; however, this refund was disallowed (See Exhibit D).

### **Converted Remittances**

Converted remittances represent payments that were supposedly made by taxpayers prior to conversion to ITS but were not converted from the legacy tax systems. OTR staff posted converted remittances totaling \$223,553.00 to ITS Dummy Account #4 without adequate explanation. The introduction of converted remits to an ITS dummy account poses a risk that an employee could transfer a portion or all of the converted payment to a taxpayer's account which could then generate a fraudulent refund or reduce the taxpayer's liability.

The use of dummy accounts as a way to post payments and returns creates numerous risks to OTR, including the issuance of erroneous bills; mishandling of taxpayers' payments, by failing to give due credit for taxes paid; and creating the opportunity for potential release of fraudulent refunds.

### **Recommendation:**

We recommend OTR management:

- discontinue the creation and use of dummy accounts immediately;
- Identify all dummy accounts that have been created since the inception of ITS;

- Review all dummy accounts and perform the necessary research to properly post the returns and payments to taxpayers accounts;
- Remove converted remittances posted to dummy accounts;
- Train returns-processing staff on effective research techniques to correctly post returns and payments with limited information;
- Develop a process for dealing with returns with blank identification fields and money, especially money orders that do not have adequate information.

Please provide a written response within ten days from receipt of this alert. If you have any questions, please contact Tisha Edwards, Audit Manager at 442-6705.

Attachments

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